

Paddle8, Online Art Auctioneer, Is Merging With Swiss Tech Company

By Michael J. de la Merced

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LONDON — Paddle8, the online art auctioneer known for selling a one-of-a-kind Wu-Tang Clan album to Martin Shkreli, has had a rough 12 months, including the bankruptcy of its parent company.

Now Paddle8 is trying a new tack: merging with The Native, a Swiss technology and e-commerce company, and adopting the use of blockchain, the technology that underpins virtual currencies like Bitcoin.

Paddle8 announced on Tuesday that it had taken an investment from The Native, creating what the two say is a partnership meant to adapt online art sales — and potentially more — to an age of wealthy millennials well versed in virtual currencies.

Their first partnership will be Paddle8 Lab, which is meant to help introduce tech to online art and luxury sales and will draw on The Native's Blockchain Lab division.

A revamped Paddle8 will open this spring with services meant to go beyond art auctions into other luxury offerings. And the company will hold its first art and luxury auction accepting Bitcoin — already titled “Bidcoin” — on Aug. 18.

“This is a way for us to show we can better align with a new generation of collectors,” Alexander Gilkes, a founder of Paddle8, said in a telephone interview.

In 2016, Paddle8 merged with Auctionata in an effort to create a next-generation trans-Atlantic online auction house — but the marriage dissolved early last year when Auctionata filed for insolvency after serious questions about its business practices came to light.

“Last year was a horrible start to the year,” Mr. Gilkes said. Of the merger with Auctionata, he added, “There were very many salient reasons for doing it, but we didn't see how the events would unfold.”

Sergey Skaterschikov, The Native's chairman, said he saw the benefits of applying blockchain technology, essentially an online ledger of transactions, to the art world.

“A lot of the art trade is built on asymmetric information,” he said. “It was scaring a lot of potential buyers from the collectible market.”

The Native will buy a 15 percent stake in Paddle8 for 8.5 million Swiss francs, or \$8.8 million. The Native will also have an option to buy an additional 36 percent of Paddle8 for 24.5 million Swiss francs, giving it a majority stake.

“The nature of the transaction actually solved for our reservations,” Osman Khan, another Paddle8 founder, said. “It really is a somewhat more cautious approach, after what we'd gone through.”

Cameron and Tyler Winklevoss, the investors who have long been proponents of Bitcoin and virtual currencies, have advised Paddle8 since 2015 and had pushed the company to adopt blockchain technology.

“We've long considered cryptocurrency as key to increasing transparency in markets around the world, including the art market,” Cameron Winklevoss said in a statement.